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**FISCAL IMPACT STATEMENT**

**LS 7512**

**BILL NUMBER:** HB 1390

**NOTE PREPARED:** Jan 11, 2009

**BILL AMENDED:**

**SUBJECT:** Distribution of Sales Tax on Gasoline and Fuels.

**FIRST AUTHOR:** Rep. Davis

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires the Department of State Revenue (DOR) to determine for each calendar quarter the amount, if any, to be transferred from the state Gross Retail and Use Tax on gasoline and special fuel to the State Highway Fund and the Local Road and Street Account.

It provides for the amount of the transfer to be based on a percentage of the difference, if any, between: (1) the most recent statewide average retail price per gallon of gasoline and special fuel; and (2) \$2.50 per gallon of gasoline and special fuel. It provides for 50% of the amount to be transferred to the State Highway Fund and 50% of the amount to be transferred to the Local Road and Street Account for distribution to counties, cities, and towns. It also requires the Auditor of State to make the first transfer before August 1, 2009.

**Effective Date:** Upon passage; July 1, 2009.

**Explanation of State Expenditures:** *DOR and Auditor of State:* This bill will cause an increase in administrative costs to the DOR and the Auditor of State. However, it is estimated the provisions in this bill can be implemented within the existing level of resources available to these agencies.

**Explanation of State Revenues:** *Summary* - This bill would have no impact on revenue, but could affect Sales Tax distribution. This bill will shift Sales Tax revenue from the state General Fund to both the State Highway Fund and the Local Road and Street Account. The amount of revenue that will be shifted depends on the amount by which the most recent statewide average retail price per gallon exceeds \$2.50 and the number of gallons purchased each quarter.

According to the U.S. Energy Information Administration's forecast, gas prices are expected to remain below

\$2.50 throughout FY 2010. However if gas prices are higher than forecasted and exceed \$2.50, there would be a shift in Sales Tax revenue from the state General Fund. The bill provides for 50% of the amount to be transferred to the State Highway Fund and 50% of the amount to be transferred to the Local Road and Street Account for distribution to counties, cities, and towns.

**Background Information** - The bill requires the DOR to calculate the average price for each quarter before January 10, April 10, July 10, and October 10 each year. The bill also requires the DOR, for each calendar quarter, to determine the amount of Sales Tax collections that were attributable to the increase in gasoline and special fuel prices for that quarter. The DOR is required to notify the State Auditor of this amount, and the Auditor is required to transfer 50% of this amount to the State Highway Fund and 50% of this amount to the Local Road and Street Account. The bill requires that this amount come solely from the Sales Tax collections which are allocated to the state General Fund.

As an illustration, if the price of gasoline was \$3.40 (excluding all taxes) for 12 months, this bill could potentially shift \$198.98 M in Sales Tax revenue from the state General Fund, or approximately \$50 M per quarter to the state Highway Fund and the Local Road and Street Account. The impact could potentially be higher since the estimate does not account for Sales Tax collections on diesel.

The amount of revenue to be distributed would be based on the following calculations:  
2nd Quarter of 2009 statewide average price ( - ) \$2.50 = Difference in average prices (if any).

Difference in average prices ( X ) the number of gallons sold for the 2nd Qtr of 2009 = Sales for 2nd Qtr.

Sales for the 2nd Qtr ( X ) 7 % = Sales Tax collections attributable to the increase in gas prices.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This bill will increase the amount of Sales Tax revenue that is distributed to counties, cities, and towns. The Sales Tax revenue shifted to the Local Road and Street Account is required to be distributed using the formula set forth in IC 8-14-2-4. The formula requires the Auditor to distribute these funds to each county on the basis of the ratio of each county's passenger car registration to the total passenger car registration in the state. The Auditor is also required to make a suballocation to the cities and towns within the county. The suballocation formula varies depending on the population of the county.

**State Agencies Affected:** DOR; Auditor of State.

**Local Agencies Affected:** Counties, cities, and towns.

**Information Sources:** *Indiana Handbook of Taxes, Revenues, and Appropriations*; Bob Lain, State Budget Agency, 317-232-3471; Energy Information Administration *Short Term Energy Outlook*, November 2008, [www.eia.doe.gov](http://www.eia.doe.gov).

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